



2020 KIWISTART RATES

Summary

Following extensive industry consultation on the IAC paper *2020 Kiwistart Rates*, which was distributed on 22 June, this paper recommends a change to the Kiwistart rates approved by IAC on 25 March. These changes would be applied to Gold Conventional, Gold Organic and Green Conventional fruit submitted into inventory before midnight 25th March 2020. Green Organic had no volume submitted into inventory before midnight 25th March 2020 hence is not impacted by this paper and the rates approved by IAC on 25th March hold.

Background Information

At the 26th June IAC meeting, the IAC agreed that the Kiwistart rates approved on the 25th March should be revised. While different methodologies for calculating such rates were discussed, it was largely agreed the start point should be to apply the original Kiwistart rates published in Dec 2019, subject to a discount to reflect any increase in fruit value as a result of the changes approved on 25th March.

There has been ongoing discussion with supplier representatives on this issue and a detailed consideration of it by NZKGI's grower forum. In line with Zespri and IAC Supplier-representatives, the Forum agreed the rates should be revised and the starting point for doing so should be the original Kiwistart rates, discounted for any double-dipping on fruit value.

Within this context, NZKGI considered three different rates which all met these principles. However, as with supplier representatives there was no clear preference among Forum members as to a preferred model (refer the email circulated to IAC representatives on the 11th of July by NZKGI).

Given there is general agreement the rates should be revised, and the start point for doing so is the original rates, but differences remain in the methodology to get to a final answer, this paper recommends:

- the original Indicative Kiwistart rates published in Dec 2019 be reinstated (for fruit submitted before midnight 25th March)
- a deduction be made for the Pool fruit value increase due to not paying full Kiwistart rates for the fruit submitted after 25th March 2020.
- the rates agreed at the 25th March IAC recommendation paper in relation to fruit submitted after 25th March will not change.

This recommendation is in line with the first of NZKGI's scenarios. The reason for the scenario 1 recommendation is that the discount can be calculated based on real data and does not factor in taste which is not being paid for the 2020 season hence very difficult to factor in taste into any amendment.

Zespri does not support NZKGI's scenario 3 as there is no taste being paid for the 2020 season and maturity sampling ceased after 25th March, there is limited or no data available to support a calculation based on taste. Zespri prefers scenario 1 over scenario 2 because for scenario 2 there is an element of taste in the methodology and removing the taste premium is an arbitrary deduction.

Calculation for fruit value discount

The fruit value discount is because the reduction in Kiwistart rates after 25th March resulted in an increase in fruit value across the entire Gold Pool. As the proposal is for volume submitted before midnight 25th March to receive the full original Kiwistart rate, fruit submitted prior to 25th March should not benefit from the increased overall fruit value because of the reduction in the rates post 25th March.

The below table outlines the calculation for the fruit value discount for the volume being paid full Kiwistart rates (submitted before midnight 25th March). For example the week 13/14 original rate was \$1.92/TE but with the IAC decision to remove taste payments for the 2020 season this rate dropped to \$0.65/TE, hence this drop has increased the fruit value to the entire Pool by \$9.67m or \$0.11/TE. Similarly, the reduction in Kiwistart rates for the 1m trays submitted on 26 March increases the fruit value by \$1.9m or \$0.02/TE. These two weeks combined mean the fruit value for the Gold Pool has increased by \$0.13/TE. This is the discount to be deducted off the rates which will apply to fruit submitted before midnight 25th March (cells highlighted in red in below table).

Gold CK

ISO Week	Original / TE	Revised / TE	Submit Volume (m)	Variance to original rates (\$m)	FV increase across Pool / TE vs. Original rates	Interim Rate / TE	FV increase across Pool / TE vs. Original rates	Fruit Value double dip / TE	Proposed Rate / TE	FV increase across Pool / TE vs. Original rates
Week 11/12	\$4.01	\$1.43	9.27	\$ (23.91)	\$ 0.28	\$4.01	\$ -	\$ (0.13)	\$3.88	\$ 0.01
Week 12/13 - to 25 Mar	\$2.99	\$1.09	6.47	\$ (12.28)	\$ 0.14	\$2.99	\$ -	\$ (0.13)	\$2.85	\$ 0.01
Week 12/13 - 26 Mar	\$2.99	\$1.09	1.00	\$ (1.90)	\$ 0.02	\$1.09	\$0.02	\$ -	\$1.09	\$ 0.02
Week 13/14	\$1.92	\$0.65	7.65	\$ (9.67)	\$ 0.11	\$0.65	\$0.11	\$ -	\$0.65	\$ 0.11
TOTAL TO POOL	\$0.86	\$0.31	24.40	\$ (47.75)	\$ 0.55	\$0.73	\$0.13		\$0.70	\$ 0.16

Note: the week 12/13 timing has been split as the week 12/13 rate was extended out to 26th March for volume submitted in with a passed sample collected up to Sunday 15 March.

Appendix 1 provides the proposed Gold conventional Kiwistart rates by size.

The same methodology has been applied for Gold Organic and Green Conventional with the workings and proposed rates by size provided in Appendix 1.

Updating rates for the August Forecast

The Kiwistart rates will need to be updated for the August forecast fruit value, size ratios, growth curves and full bloom date per the Supply Agreement. The proposed increase to the revised rates approved on 25th March would be treated as a commercial top up rate in this update process.

For example, the increase from \$1.43/TE to \$3.88/TE of \$2.43/TE would be fixed but the \$1.43 would be updated for the August forecast and growth curves etc. If the original Gold Conventional week 11/12 rate moves from \$1.43 to \$1.35 due to the update for August forecast etc then the new rate would be \$1.35 + \$2.43 = \$3.88.

Maturity Clearance laboratory and sampling costs

As the rates before midnight 25th March would increase back to the original indicative rates, any Maturity clearance laboratory and sampling costs paid by Zespri would be on-charged to Contractors that submitted fruit before midnight 25th March per Section H of the Pricing and Payment Manual in the Supply Agreement.

Disputes process for cancelled samples

As per the Supply Agreement, any disputes with respect to amended rates and/or cancelled samples must be raised through the grower’s Registered Supplier.

2020 Taste payments

As agreed by the IAC on 25th March, Taste payments will not be paid for the 2020 season.

RECOMMENDATION

It is recommended that IAC:

- *Approve the rates in Appendix 1 as the 2020 Kiwistart rates, subject to normal adjustment in accordance with the Supply Agreement and this paper.*
- *Confirm that any 2020 Maturity clearance laboratory and sampling costs to be paid by Zespri are to be on-charged to Contractors that submitted fruit before midnight 25 March per Section H of the Pricing and Payment Manual in the Supply Agreement*

Sponsor:

Executive Sponsor:

Shaun Gardner
Head of Global Commercial

David Courtney
Chief Grower and Alliance Officer

APPENDIX ONE: 2020 KIWISTART INDICATIVE RATES

GA1CK CALCULATION TABLE AND PROPOSED INDICATIVE RATES

Gold CK

ISO Week	Original / TE	Revised / TE	Submit Volume (m)	Variance to original rates (\$m)	FV increase across Pool / TE vs. Original rates	Interim Rate / TE	FV increase across Pool / TE vs. Original rates	Fruit Value double dip / TE	Proposed Rate / TE	FV increase across Pool / TE vs. Original rates
Week 11/12	\$4.01	\$1.43	9.27	\$ (23.91)	\$ 0.28	\$4.01	\$ -	\$ (0.13)	\$3.88	\$ 0.01
Week 12/13 - to 25 Mar	\$2.99	\$1.09	6.47	\$ (12.28)	\$ 0.14	\$2.99	\$ -	\$ (0.13)	\$2.85	\$ 0.01
Week 12/13 - 26 Mar	\$2.99	\$1.09	1.00	\$ (1.90)	\$ 0.02	\$1.09	\$0.02	\$ -	\$1.09	\$ 0.02
Week 13/14	\$1.92	\$0.65	7.65	\$ (9.67)	\$ 0.11	\$0.65	\$0.11	\$ -	\$0.65	\$ 0.11
TOTAL TO POOL	\$0.86	\$0.31	24.40	\$ (47.75)	\$ 0.55	\$0.73	\$0.13		\$0.70	\$ 0.16

Note: the week 12/13 timing has been split as the week 12/13 rate was extended out to 26th March for volume submitted in with a passed sample collected up to Sunday 15 March.

GA1CK - Proposed rates

ISO Week	Calendar Dates	16/22	25/27	30/33	36	39	Revised Average	Comments
Week 11/12	14-Mar - 18-Mar	\$3.75	\$3.88	\$3.98	\$3.88	\$3.77	\$3.88	Paid for passed samples collected up to Sunday 15 March - MUST be packed by midnight Wed 18 March
Week 12/13	19-Mar - 25-Mar	\$2.75	\$2.86	\$2.93	\$2.86	\$2.77	\$2.85	Paid for passed samples collected up to Sunday 22 March to a max of industry share of 8m TEs - MUST be packed by midnight Thurs 26
Week 12/13	26-Mar	\$0.90	\$1.09	\$1.24	\$1.09	\$0.90	\$1.09	Cutoff extended out to midnight Thursday 2 April
Week 13/14	27-Mar - 2-Apr	\$0.55	\$0.65	\$0.74	\$0.65	\$0.55	\$0.65	

GA1OB CALCULATION TABLE AND INDICATIVE PROPOSED RATES

Gold OB

ISO Week	Calendar Dates	Original / TE	Revised / TE	Submit Volume (m)	Variance to original rates (\$m)	FV increase across Pool / TE vs. Original rates	Interim Rate / TE	FV increase across Pool / TE vs. Original rates	Fruit Value double dip / TE	Proposed Rate / TE	FV increase across Pool / TE vs. Original rates
Week 12	18-Mar - 20-Mar	\$4.15	\$1.44	0.15	\$ (0.41)	\$ 0.28	\$4.15	\$ -	\$ (0.15)	\$4.00	\$ 0.02
Week 12/13	21-Mar - 24-Mar	\$3.31	\$1.20	-	\$ -	\$ -	\$1.20	\$ -	\$0.00	\$1.20	\$ -
Week 13/14	25-Mar - 31-Mar	\$2.54	\$0.93	0.09	\$ (0.15)	\$ 0.10	\$0.93	\$0.10	\$0.00	\$0.93	\$ 0.10
Week 14/15	1-Apr - 7-Apr	\$1.74	\$0.50	0.06	\$ (0.07)	\$ 0.05	\$0.50	\$0.05	\$0.00	\$0.50	\$ 0.05
TOTAL TO POOL		\$0.66	\$0.23	0.30	\$ (0.63)	\$ 0.43	\$0.51	\$0.15		\$0.49	\$ 0.17

Note: no volume was submitted between 21-28 March

GA1OB - Proposed Rates

ISO Week	Calendar Dates	16/22	25/27	30/33	36	39	Total Average
Week 12	18-Mar - 20-Mar	\$3.90	\$4.00	\$4.09	\$4.00	\$3.89	\$4.00
Week 12/13	21-Mar - 24-Mar	\$0.99	\$1.20	\$1.36	\$1.20	\$0.99	\$1.20
Week 13/14	25-Mar - 31-Mar	\$0.77	\$0.93	\$1.06	\$0.93	\$0.77	\$0.93
Week 14/15	1-Apr - 7-Apr	\$0.42	\$0.50	\$0.57	\$0.50	\$0.42	\$0.50

HW1CK CALCULATION TABLE AND PROPOSED INDICATIVE RATES

Green

ISO Week	Calendar Dates	Original / TE	Revised / TE	Submit Volume (m)	Variance to original rates (\$m)	FV increase across Pool / TE vs. Original rates	Interim Rate / TE	FV increase across Pool / TE vs. Original rates	Fruit Value double dip / TE	Proposed Rate / TE	FV increase across Pool / TE vs. Original rates
Week 12/13	21-Mar - 25-Mar	\$3.50	\$2.10	0.39	(0.55)	\$ 0.01	\$3.50	\$ -	\$ (0.25)	\$3.24	\$ 0.00
Week 12/13	26-Mar - 27-Mar	\$3.50	\$2.10	0.80	(1.12)	\$ 0.02	\$2.10	\$ 0.02	\$ -	\$2.10	\$ 0.02
Week 13/14	28-Mar - 03-Apr	\$2.54	\$1.50	2.91	(3.01)	\$ 0.04	\$1.50	\$ 0.04	\$ -	\$1.50	\$ 0.04
Week 14/15	04-Apr - 10-Apr	\$2.07	\$0.99	3.90	(4.22)	\$ 0.06	\$0.99	\$ 0.06	\$ -	\$0.99	\$ 0.06
Week 15/16	11-Apr - 17-Apr	\$1.78	\$0.58	5.74	(6.87)	\$ 0.10	\$0.58	\$ 0.10	\$ -	\$0.58	\$ 0.10
Week 16/17	18-Apr - 24-Apr	\$1.26	\$0.46	1.31	(1.05)	\$ 0.02	\$0.46	\$ 0.02	\$ -	\$0.46	\$ 0.02
Week 17/18	25-Apr - 01-May	\$0.83	\$0.30	0.32	(0.17)	\$ 0.00	\$0.30	\$ 0.00	\$ -	\$0.30	\$ 0.00
Week 18/19	02-May - 10-May	\$0.48	\$0.30	4.08	(0.75)	\$ 0.01	\$0.30	\$ 0.01	\$ -	\$0.30	\$ 0.01
TOTAL TO POOL		\$0.50	\$0.24	19.45	(17.74)	\$ 0.26	\$0.24	\$ 0.25		\$0.24	\$ 0.25

HW1CK - Proposed Rate

ISO Week	Calendar Dates	16/18/22	25/27	30/33	36	39	42	Total Average
Week 12/13	21-Mar - 25-Mar	\$3.06	\$3.49	\$3.84	\$3.27	\$2.08	\$0.00	\$3.24
Week 12/13	26-Mar - 27-Mar	\$1.93	\$2.61	\$3.19	\$2.13	\$0.93	\$0.00	\$2.10
Week 13/14	28-Mar - 03-Apr	\$1.38	\$1.86	\$2.27	\$1.52	\$0.66	\$0.00	\$1.50
Week 14/15	04-Apr - 10-Apr	\$0.91	\$1.22	\$1.49	\$1.00	\$0.44	\$0.00	\$0.99
Week 15/16	11-Apr - 17-Apr	\$0.53	\$0.71	\$0.86	\$0.59	\$0.27	\$0.00	\$0.58
Week 16/17	18-Apr - 24-Apr	\$0.43	\$0.56	\$0.68	\$0.47	\$0.22	\$0.00	\$0.46
Week 17/18	25-Apr - 01-May	\$0.28	\$0.37	\$0.45	\$0.30	\$0.14	\$0.00	\$0.30
Week 18/19	02-May - 10-May	\$0.28	\$0.37	\$0.45	\$0.30	\$0.14	\$0.00	\$0.30

HW1OB INDICATIVE RATES – as approved on 25 March 2020

ZESPRI® GREEN Organic Kiwifruit

ISO Week	Calendar Dates	16/18/22	25/27	30/33	36	39	42	Total Average
Week 13/14	28-Mar - 03-Apr	\$1.95	\$2.46	\$2.92	\$2.59	\$2.49	\$1.96	\$2.58
Week 14/15	04-Apr - 10-Apr	\$1.41	\$1.78	\$2.12	\$1.88	\$1.81	\$1.42	\$1.87
Week 15/16	11-Apr - 17-Apr	\$0.94	\$1.19	\$1.41	\$1.25	\$1.20	\$0.95	\$1.25
Week 16/17	18-Apr - 24-Apr	\$0.55	\$0.69	\$0.82	\$0.73	\$0.70	\$0.55	\$0.73
Week 17/18	25-Apr - 01-May	\$0.24	\$0.30	\$0.35	\$0.31	\$0.30	\$0.24	\$0.31
Week 18/19	02-May - 10-May	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00